

**SOUTHERN CALIFORNIA INTERGOVERNMENTAL
TRAINING AND DEVELOPMENT CENTER**

FINANCIAL STATEMENTS

JUNE 30, 2011

**Southern California Intergovernmental Training and Development Center
Financial Statements
June 30, 2011**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Southern California Intergovernmental Training
and Development Center
San Diego, California

We have audited the accompanying financial statements of the governmental activities and the major fund of the Southern California Intergovernmental Training and Development Center ("ITDC") as of and for the fiscal year ended June 30, 2011, which collectively comprise ITDC's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the ITDC's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts, and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Southern California Intergovernmental Training and Development Center as of June 30, 2011 and the respective changes in financial position thereof, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 of the notes to the basic financial statements, effective July 1, 2010, ITDC adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definition* and Statement No. 59, *Financial Instruments Omnibus*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2011, on our consideration of the ITDC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statement, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statement is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison of the General Fund on page 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
December 13, 2011

**SOUTHERN CALIFORNIA
INTERGOVERNMENTAL TRAINING AND DEVELOPMENT CENTER
STATEMENT OF NET ASSETS
June 30, 2011**

	<u>Governmental Activities</u>
ASSETS	
Cash and investments with County Treasury	\$ 270,613
Cash in bank	73,266
Accounts receivable	1,069,313
Due from County of San Diego	80,958
Capital assets, being depreciated	59,155
Accumulated depreciation	<u>(59,155)</u>
Total Assets	<u>1,494,150</u>
LIABILITIES	
Accounts payable	404,206
Accrued payroll	7,413
Long-term liabilities:	
Due in more than a year	<u>45,517</u>
Total Liabilities	<u>457,136</u>
NET ASSETS	
Unrestricted	<u>1,037,014</u>
Total Net Assets	<u><u>\$ 1,037,014</u></u>

See accompanying notes to basic financial statements

**SOUTHERN CALIFORNIA
INTERGOVERNMENTAL TRAINING AND DEVELOPMENT CENTER
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2011**

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Change in Net Assets
		Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:				
General government	\$ 4,587,332	\$ 4,727,051	\$ -	\$ 139,719
Total Governmental Activities	<u>\$ 4,587,332</u>	<u>\$ 4,727,051</u>	<u>\$ -</u>	<u>139,719</u>
Change in Net Assets				139,719
Net Assets - July 1, 2010				<u>897,295</u>
Net Assets - June 30, 2011				<u>\$ 1,037,014</u>

See accompanying notes to basic financial statements

**SOUTHERN CALIFORNIA
INTERGOVERNMENTAL TRAINING AND DEVELOPMENT CENTER
BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2011**

	<u>General Fund</u>
ASSETS	
Cash and investments with County Treasury	\$ 270,613
Cash in bank	73,266
Accounts receivable	1,069,313
Due from County of San Diego	<u>80,958</u>
Total Assets	<u><u>\$ 1,494,150</u></u>
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable	\$ 404,206
Accrued payroll	7,413
Deferred revenue	<u>767,831</u>
Total Liabilities	<u>1,179,450</u>
Fund Balance	
Unassigned	<u>314,700</u>
Total Fund Balance	<u>314,700</u>
Total Liabilities and Fund Balance	<u><u>\$ 1,494,150</u></u>

See accompanying notes to basic financial statements

**SOUTHERN CALIFORNIA
INTERGOVERNMENTAL TRAINING AND DEVELOPMENT CENTER
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2011**

Total fund balance - governmental funds	\$ 314,700
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Under modified accrual basis of accounting used in governmental funds, revenues are not recognized for transactions that do not represent an available financial resource. In the statement of net assets and statement of activities, however, revenues and assets are reported regardless of when financial resources are available.

Deferred revenue	767,831
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Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net assets, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Compensated absences payable	<u>(45,517)</u>
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Net assets of governmental activities	<u><u>\$ 1,037,014</u></u>
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See accompanying notes to basic financial statements

**SOUTHERN CALIFORNIA
INTERGOVERNMENTAL TRAINING AND DEVELOPMENT CENTER
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
For the Fiscal Year Ended June 30, 2011**

	<u>General Fund</u>
Revenues	
Intergovernmental	<u>\$ 4,441,185</u>
Total Revenues	<u>4,441,185</u>
Expenditures	
Current:	
Salaries and benefits	679,109
Services and supplies	3,920,301
Debt service:	
Interest and fiscal charges	<u>83</u>
Total Expenditures	<u>4,599,493</u>
Net Change in Fund Balance	(158,308)
Fund Balance, July 1, 2010	<u>473,008</u>
Fund Balance, June 30, 2011	<u><u>\$ 314,700</u></u>

See accompanying notes to basic financial statements

**SOUTHERN CALIFORNIA
INTERGOVERNMENTAL TRAINING AND DEVELOPMENT CENTER
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2011**

Net change in fund balance - governmental fund	\$ (158,308)
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Amounts reported for governmental activities in the statement of activities differ because:

Certain revenues are offset by deferred revenue in the governmental funds because they are not available to pay for current period expenditures. This amount represents the amount by which current year deferred revenue exceeded prior year's deferred revenue.	285,866
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In the statement of activities, compensated absences are measured by the amounts earned during the fiscal year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts paid). This fiscal year, vacation used exceeded the amounts earned.	12,161
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Change in net assets of governmental activities	<div style="border-top: 1px solid black; border-bottom: 3px double black; padding: 2px 0;">\$ 139,719</div>
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NOTES TO BASIC FINANCIAL STATEMENTS

Southern California Intergovernmental Training and Development Center
Notes to Basic Financial Statements
June 30, 2011

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Southern California Intergovernmental Training and Development Center (“ITDC”) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies:

A. Reporting Entity

The ITDC was created by a Joint Exercise of Powers Agreement (the “Agreement”) entered into on December 1, 1972, between the State of California, the County of San Diego (the “County”), and the Cities of Carlsbad, Chula Vista, Coronado, Del Mar, El Cajon, Escondido, Imperial Beach, La Mesa, National City, Oceanside, San Diego, San Marcos, and Vista. The purpose of the Agreement was to create an agency to assist the parties in their efforts to develop and implement employee-training programs. The Agreement provides that ITDC shall be administered by the Board of Directors equal in number to the number of parties who become and remain parties to the Agreement.

B. Basis of Accounting

The accounting records are maintained on the modified accrual basis of accounting. Expenditures are recorded at the time liabilities are incurred and revenues are recorded when received in cash, unless they are susceptible to accrual: i.e., measurable and available to finance ITDC’s operations or a material amount and not received at the normal time of receipt prior to year end.

C. Basis of Presentation

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34. GASB Statement No. 34 establishes new requirements and a new reporting model for the annual financial reports of state and local governments. The statement was developed to make annual reports of state and local governments easier to understand and more useful to the people who use governmental financial information to make decisions.

- **Management’s Discussion and Analysis** – GASB requires that financial statements be accompanied by a narrative introduction and analytical overview of ITDC’s financial activities in the form of “Management’s Discussion and Analysis” (MD&A). This analysis is similar to the analysis provided in the annual reports of private-sector organizations. ITDC has not presented this information.
- **Government-wide Financial Statements** – This reporting model includes financial statements prepared using the full accrual basis of accounting for all of the ITDC’s activities. It reports all current and noncurrent revenues and costs of providing services. The Government-wide Financial Statements consist of the following:
 - **Statement of Net Assets** – The statement of net assets is designed to display the financial position of the government. The net assets of ITDC are broken down into two categories – restricted and unrestricted.
 - **Statement of Activities** – The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of ITDC’s functions. The expense of individual functions is compared to the revenue generated directly by the function.

Southern California Intergovernmental Training and Development Center
Notes to Basic Financial Statements
June 30, 2011

Note 1 – Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Accordingly, ITDC has recorded long-term assets and liabilities in the statement of net assets, and has reported all revenues and the cost of providing services using the full accrual basis of accounting in the statement of activities.

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by contributions and investment income.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Budgets and Budgetary Accounting

General Budget Policies

An operating budget is adopted each fiscal year on the modified accrual basis, except that encumbrances are treated as budgeted expenditures in the year of the commitment to purchase. For purposes of budgetary presentation, actual expenditures are adjusted to include encumbrances outstanding at year-end. There were no encumbrances outstanding at June 30, 2011. All amendments to the adopted budget require Board approval and, as such, reported budget figures are subsequently amended by the Board. Unencumbered appropriations lapse at year-end.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditures of resources are recorded in order to reserve that portion of the applicable appropriation, is utilized as an extension of formal budgetary control in the governmental fund. Encumbrances outstanding at year-end are reported as assignment of fund balance and do not constitute expenditures or liabilities, because the commitments will be honored during the subsequent fiscal year. There were no assignments for encumbrances at June 30, 2011.

Long-Term Obligations

In the government-wide financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities. Initial-issue premiums as well as issuance costs, are deferred and amortized over the life of the debt using the straight-line method. The difference between the reacquisition price and the net carrying amount of refunded debt (deferred amount on refunding) is amortized over the shorter of the lives of the refunding debt or remaining life of the refunded debt. Issuance costs are reported as deferred charges. Amortization of premiums and deferred amounts on refunding are included as interest expense, whereas the amortization of issuance costs are included as a general government expense.

Southern California Intergovernmental Training and Development Center
Notes to Basic Financial Statements
June 30, 2011

Note 1 – Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Long-Term Obligations (Continued)

In the fund financial statements, governmental fund types recognize premiums and issuance costs during the period issued. The face amount of debt issued is reported as other financing sources. Premiums received are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Assets

In the government-wide financial statements, net assets are reported in two categories: restricted net assets and unrestricted net assets. Restricted net assets represent net assets restricted by parties outside of the ITDC (such as creditors, grantors, contributors, laws, and regulations of other governments) and include unspent proceeds of bonds issued to acquire or construct capital assets.

Fund Balances

As of June 30, 2011, fund balances of the governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of the governing board is the highest level of decision-making authority for the ITDC. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the governing board.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the ITDC's adopted policy, only the governing board or director may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the district considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balance are available, the ITDC considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Southern California Intergovernmental Training and Development Center
Notes to Basic Financial Statements
June 30, 2011

Note 1 – Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Investments

Investments are reported at fair value which is determined using various methods. Short-term investments are reported at cost, which approximates fair value. Investments in government obligations are valued on over-the-counter bid quotations available at fiscal year-end. Cash deposits are reported at carrying amount, which reasonably estimates fair value. Investments in governmental investment pools are reported at fair value based on the fair value per share of the pool's underlying portfolio.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of certain assets and liabilities and disclosure of contingent assets and liabilities at the date of basic financial statements, and the related reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates. Management believes that the estimates are reasonable.

D. Major Funds

GASB Statement No. 34 requires that ITDC's major governmental type funds to be identified and presented separately in the fund financial statements. Major funds are defined as funds that have either assets, liabilities, revenues, or expenditures equal to or greater than ten percent of their fund-type total and five percent of the grand total of all fund types excluding fiduciary fund types.

ITDC reported the following major governmental fund in the accompanying financial statements:

General Fund - This fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund is ITDC's operating fund.

E. Governmental Fund Type

The accounts of ITDC are organized into a fund (General Fund), which is considered a separate accounting entity. The fund is a governmental fund type with the flow of current financial resources as the measurement focus. The expendable available financial resources and related current liabilities devoted to financing the general services that ITDC performs for its members are included in the general fund. Cost reimbursements and other revenue used to finance the operations of ITDC are specific resources included in this fund. The fund is also charged with the costs of operating ITDC. It includes the resources allocated for the purpose of carrying on specific activities in accordance with laws, regulations or other restrictions.

ITDC's financial transactions are included in the County of San Diego (County) accounting system. The fund is identified in the County's accounting records as the ITDC fund. It is presented in the County's Comprehensive Annual Financial Report as an interest bearing trust fund with the fiduciary fund type to inform the reader of the relationship between the County and ITDC's operations. The County's budgeting and accounting procedures are consistent with this presentation.

Southern California Intergovernmental Training and Development Center
Notes to Basic Financial Statements
June 30, 2011

Note 1 – Summary of Significant Accounting Policies (Continued)

E. Governmental Fund Type (Continued)

The General Fund, rather than a trust fund, is presented herein in accordance with accounting principles generally accepted in the United States of America appropriate for legally separate, economically independent, local governmental entity. The amounts presented in ITDC's General Fund are directly reconcilable to the accounts maintained by the County.

F. Financial Statement Elements

Cash and Investments – Cash and investments are stated at fair value. Cash deposits are at carrying value, which reasonably estimates fair value. Investments in governmental investment pools are reported at fair value per share of the pool's underlying portfolio. ITDC's cash is deposited into the County's Treasury. The County Treasury maintains a cash and investment pool that is available for use by all funds of the County, as well as the funds of other agencies for which the County Treasury is the depository. Interest earned on the pooled fund is allocated based on the average daily cash balances of the participating funds. Further disclosures regarding the County's cash and investment pool are included in the notes of the County's Comprehensive Annual Financial Report.

Interfund Receivables/Payables – Short-term loan receivables and payables are reported as "due from other funds" and "due to other funds," respectively.

Capital Assets – Capital assets, which include land, buildings, equipment, infrastructure, and construction in progress, are reported in the government-wide financial statements. Capital assets are defined by ITDC as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are completed.

G. New Accounting Pronouncements

GASB Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions

For the fiscal year ended June 30, 2011, ITDC implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. See note 9 for GASB Statement No. 54 detail.

Southern California Intergovernmental Training and Development Center
Notes to Basic Financial Statements
June 30, 2011

Note 1 – Summary of Significant Accounting Policies (Continued)

G. New Accounting Pronouncements (Continued)

GASB Statement No. 59 – Financial Instruments Omnibus

For the fiscal year ended June 30, 2011, the ITDC implemented GASB Statement No. 59, "Financial Instruments Omnibus". This Statement establishes standards to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. Implementation of GASB Statement No. 59 did not have an impact on ITDC's financial statements for the fiscal year ended June 30, 2011.

Note 2 – Cash and Investments

Cash resources of ITDC are combined with the cash resources of the County to form a pool of cash that is managed by the County Treasurer. As provided for by the Government Code, the cash balance of substantially all County funds and certain entities are pooled and invested by the County Treasurer for the purpose of increasing interest earnings through investment activities. ITDC's net share of the total pooled cash and investments is included in the accompanying statement of net assets under the caption "Cash and Investments". Interest earned on investments is deposited to certain participating County funds and entities, including ITDC, based upon their average daily cash balance during the allocation month.

Cash and investments as of June 30, 2011 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments with County Treasury	\$ 270,613
Cash in bank	<u>73,266</u>
Total cash and investments	<u><u>\$ 343,879</u></u>

Cash and investments are presented on the accompanying basic financial statements, as follows:

Cash in bank, statement of net assets	\$ 73,266
Cash in County Treasury, statement of net assets	<u>270,613</u>
Total cash and investments	<u><u>\$ 343,879</u></u>

Further disclosures regarding the County's cash and investment pool including investment policy are included in the notes to the County's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011.

Southern California Intergovernmental Training and Development Center
Notes to Basic Financial Statements
June 30, 2011

Note 2 – Cash and Investments (Continued)

Investments Authorized by the California Government Code

The table below identifies the investment types that are authorized for ITDC by the California Government Code (or ITDC's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the ITDC's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State of California Obligations	5 years	None	None
CA Local Agency Obligations	5 years	None	None
U.S. Agencies	5 years	None	None
Banker's Acceptances	180 days	40%	None
Commercial Paper - Select Agencies	270 days	25%	None
Commercial Paper - Other Agencies	270 days	40%	None
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements & Securities Lending Agreements	92 days	20%	None
Medium Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	None
Money Market Mutual Funds	N/A	20%	None
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-Through Securities	5 years	20%	None
Time Deposits	5 years	None	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Funds	N/A	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Information about the sensitivity of the fair values of ITDC's investments to market interest rate fluctuations is provided by the following table that shows the distribution of ITDC's investments by maturity:

Investment Type	Totals	Remaining Maturity (in Months)					
		12 Months Or Less	13 to 24 Months	25-36 Months	37-48 Months	49-60 Months	More Than 60 Months
County investment pool	\$ 270,613	\$ 270,613	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ 270,613	\$ 270,613	\$ -	\$ -	\$ -	\$ -	\$ -

Southern California Intergovernmental Training and Development Center
Notes to Basic Financial Statements
June 30, 2011

Note 2 – Cash and Investments (Continued)

Investments Authorized by the California Government Code (Continued)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, County's investment policy, or debt agreements, and the actual rating, as of fiscal year end, for each investment type.

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End			
				AAA	AA	A	Not Rated
County investment pool	\$ 270,613	N/A	\$ -	\$ -	\$ -	\$ -	\$ 270,613
Total	<u>\$ 270,613</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 270,613</u>

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

ITDC's investments include no investments that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above) as of June 30, 2011.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and County's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure ITDC deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2011, none of ITDC's deposits with financial institutions were in excess of federal depository insurance limits.

Southern California Intergovernmental Training and Development Center
Notes to Basic Financial Statements
June 30, 2011

Note 2 – Cash and Investments (Continued)

Investment in San Diego Investment Pool

ITDC is a voluntary participant in the pool regulated by the California Government Code Sections 53601 and 53635, under the oversight of the Treasurer of the County of San Diego. The fair value of ITDC's investment in the pool is reported in the accompanying financial statements at amounts based upon the ITDC's pro-rata share of the fair value provided by the County of San Diego for the entire pool portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the pool, which are recorded on a cash basis.

Note 3 – Accounts Receivable

Accounts receivable consisted of contract receivables from various agencies.

Note 4 – Capital Assets

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>
Capital assets, being depreciated:				
Furniture and equipment	\$ 59,155	\$ -	\$ -	\$ 59,155
Total capital assets being depreciated	<u>59,155</u>			<u>59,155</u>
Less accumulated depreciation for:				
Furniture and equipment	<u>59,155</u>			<u>59,155</u>
Total accumulated depreciation	<u>59,155</u>			<u>59,155</u>
Total capital assets being depreciated, net	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Note 5 – Deferred Revenue

As of June 30, 2011, ITDC had deferred revenue of \$767,831. The balance relates to the revenue that has not been received within 60 days following fiscal year end.

Note 6 – Compensated Absences

As of June 30, 2011, ITDC had an accrued vacation balance of \$45,517.

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>
Compensated absences	<u>\$57,678</u>	<u>\$ -</u>	<u>\$12,161</u>	<u>\$45,517</u>

Southern California Intergovernmental Training and Development Center
Notes to Basic Financial Statements
June 30, 2011

Note 7 – Defined Benefit Pension Plan

A. Plan Description

ITDC contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement, disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of PERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814.

B. Funding Policy

Active participants are required to contribute 7% of their annual covered salary. Prior to February 1, 2010, ITDC made total contributions required of ITDC employees on their behalf and for their account. However, on February 1, 2010, ITDC elected to contribute 6% of the employees' required contribution instead of the total required contribution of 7%. The members were required to contribute the remaining 1%. This was retroactive to July, 2009.

The ITDC is required to contribute at an actuarially determined rate calculated as a percentage of covered payroll. The employer contribution rate for the Fiscal Year 2010-2011 was 13.876%. Benefit provisions and contribution requirements of participants are established by State statute and the employer contribution rate is established and may be amended by PERS.

C. Annual Pension Costs

For 2010-2011, ITDC's annual pension cost was \$62,210. The \$62,210 contributed for the fiscal year ending June 30, 2011 was equal to 100% of the required contribution for that fiscal year. ITDC's annual pension costs for fiscal years ending June 30, 2011, 2010, and 2009 were \$62,210, \$79,026, and \$94,994, respectively, and equal 100% of the required contributions for each fiscal year.

Note 8 – Stewardship, Compliance, and Accountability

Excess of expenditures over appropriations in the general fund is as follows:

<u>Fund/Department</u>	<u>Expenditure</u>	<u>Appropriation</u>	<u>Excess</u>
General Fund:			
Salaries and benefits	\$ 679,109	\$ 671,108	\$ (8,001)
Services and supplies	3,920,301	2,921,892	(998,409)
Interest and fiscal charges	83		(83)
	<u>\$ 4,599,493</u>	<u>\$ 3,593,000</u>	<u>\$ (1,006,493)</u>

Southern California Intergovernmental Training and Development Center
Notes to Basic Financial Statements
June 30, 2011

Note 9 – Net Assets and Fund Balances

A. Net Assets

Net assets are the excess of all the ITDC's assets over all its liabilities, regardless of fund. Net assets are divided into three captions under GASB Statement No. 34. These captions apply only to net assets, which is determined only at the government-wide level, proprietary funds, and fiduciary funds and are described below.

Invested in capital assets, net of related debt describe the portion of net assets which is represented by the current net book value of the ITDC's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describe the portion of net assets which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the ITDC cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, redevelopment funds restricted for low-and-moderate income purposes, and gas tax funds for street construction.

Unrestricted describes the portion of net assets which is not restricted as to use

B. Fund Balances

As of June 30, 2011, fund balances of the governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of the governing board is the highest level of decision-making authority for the ITDC. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the governing board.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the ITDC's adopted policy, only the governing board or director may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

Southern California Intergovernmental Training and Development Center
Notes to Basic Financial Statements
June 30, 2011

Note 9 – Net Assets and Fund Balances

B. Fund Balances (Continued)

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the ITDC considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balance are available, the ITDC considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

C. Restricted Net Assets

Restricted net assets are subject to constraints either (1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

D. Fund Balances

Fund balances are presented in the following categories: nonspendable, restricted, committed, assigned, and unassigned. A detailed schedule of fund balances at June 30, 2011 is as follows:

	<u>General Fund</u>
Unassigned	<u>\$ 314,700</u>
Total unassigned	<u>\$ 314,700</u>

REQUIRED SUPPLEMENTARY INFORMATION

**SOUTHERN CALIFORNIA
INTERGOVERNMENTAL TRAINING AND DEVELOPMENT CENTER
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2011**

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ 3,593,000	\$ 3,593,000	\$ 4,441,185	\$ 848,185
Total Revenues	<u>3,593,000</u>	<u>3,593,000</u>	<u>4,441,185</u>	<u>848,185</u>
Expenditures				
Current:				
Salaries and benefits	671,108	671,108	679,109	(8,001)
Services and supplies	2,921,892	2,921,892	3,920,301	(998,409)
Debt service:				
Interest and fiscal charges			83	(83)
Total Expenditures	<u>3,593,000</u>	<u>3,593,000</u>	<u>4,599,493</u>	<u>(1,006,493)</u>
Net Change in Fund Balance			(158,308)	(158,308)
Fund Balance, July 1, 2010	<u>473,008</u>	<u>473,008</u>	<u>473,008</u>	
Fund Balance, June 30, 2011	<u>\$ 473,008</u>	<u>\$ 473,008</u>	<u>\$ 314,700</u>	<u>\$ (158,308)</u>



MOSS, LEVY & HARTZHEIM LLP

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
Southern California Intergovernmental Training
and Development Center
San Diego, California

We have audited the accompanying financial statements of the governmental activities and the major fund of the Southern California Intergovernmental Training and Development Center ("ITDC") as of and for the fiscal year ended June 30, 2011, which collectively comprise ITDC's basic financial statements and have issued our report thereon dated December 13, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered ITDC's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ITDC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of ITDC's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We identified deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above, in a separate letter to management dated December 13, 2011.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southern California Intergovernmental Training and Development Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of ITDC's Board of Directors, management, the County of San Diego, and the California State Controller's Office Division of Accounting and Reporting and is not intended to be and should not be used by anyone other than these specified parties.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
December 13, 2011